

[Outsourcing & Offshoring]



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Switcher SA:

The ethics of outsourcing

Presentation [Schedule]

- Presentation of Switcher SA
- The textile market in Europe
- Outsourcing issues
- Switcher's solutions
- Conclusion

Switcher SA [Vision]

To become the **first Swiss textile group**,
with **strong performance and profitability**,
to adopt the principle **of sustainable
development on a worldwide
basis.**

Switcher SA [Facts]

- Founded in 1981, Le Mont-sur-Lausanne
- Turnover CHF 61.5 Mios (Switcher SA Switzerland)
- Distribution
 - Switcher Corner (point of sales)
 - Switcher Biz (professionals)
- Collection declined in five “worlds”



BASIC
A practical and basic range for everyday wear

SPORT
For your sports activities, breathable materials

OUTDOOR
For your open air leisure pursuits, technical garments

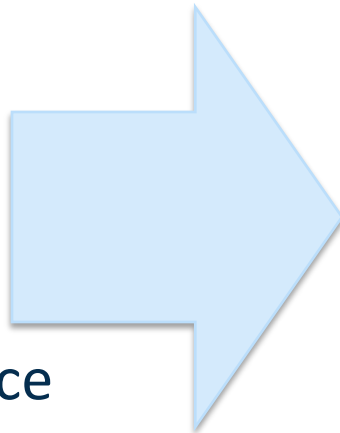
FASHION
A trendy line to keep up with fashion

JUNIOR
For your children and young people aged 2 to 12, cool garments

Switcher SA [Value proposition]

Value proposition

- Ethical product
- Original colors
- Simple design
- Affordable price
- Outstanding quality
- Trackability
(www.respect-inside.org)



Target customer

- Families
- « Alter-consumers »



Switcher SA [Partner geography]



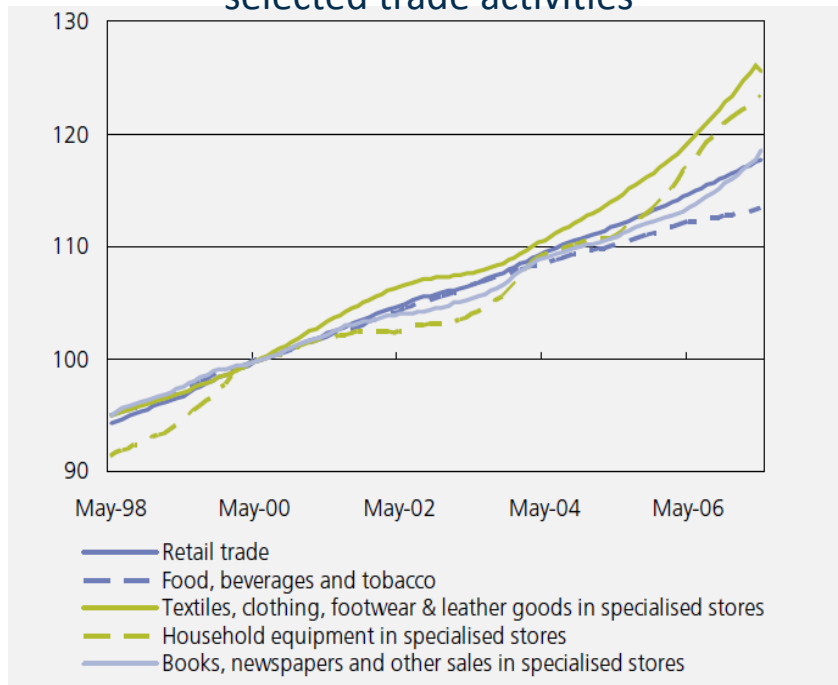
A photograph of a large, multi-colored kite flying in a cloudy sky over a landscape with trees and a wind turbine. The kite is the central focus, with its white body and various colored panels (purple, yellow, blue) catching the light. The background shows a mix of green trees and a clear blue sky with scattered white clouds. A wind turbine is visible in the distance on the left side of the frame.

The textile market in Europe

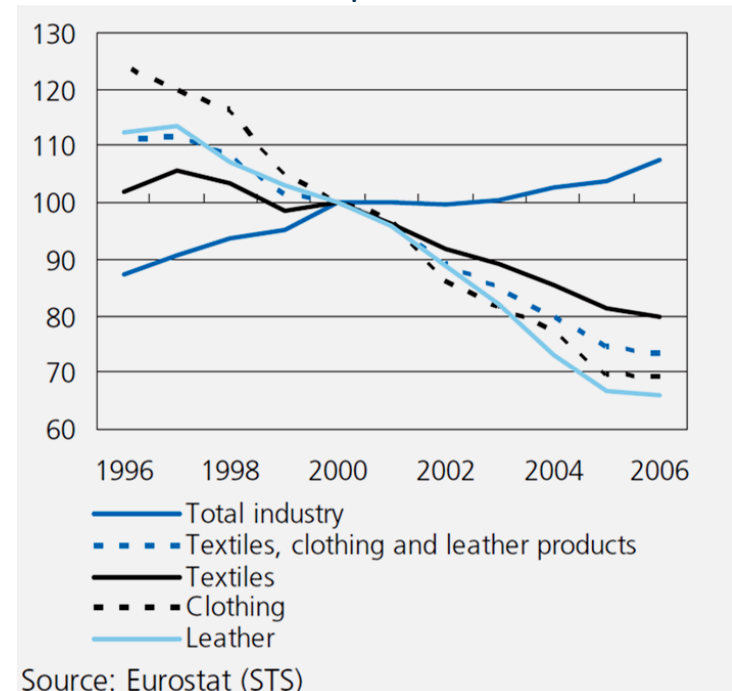
Textile Market [Overview]

- Sales increase
- Production decreases
- => Clothes must be produced somewhere!

Volume of sales index,
selected trade activities



Index of production



Source: Eurostat (STS)

Textile Market [Positioning]

Local production

Outsourcing/Offshoring

ZARA

- Need very short lead time
- Fast fashion



LI & FUNG LIMITED

- Customized but large batch
- High knowledge



- Ethical, ecological
- Standardized product
- Special link to supplier



Outsourcing

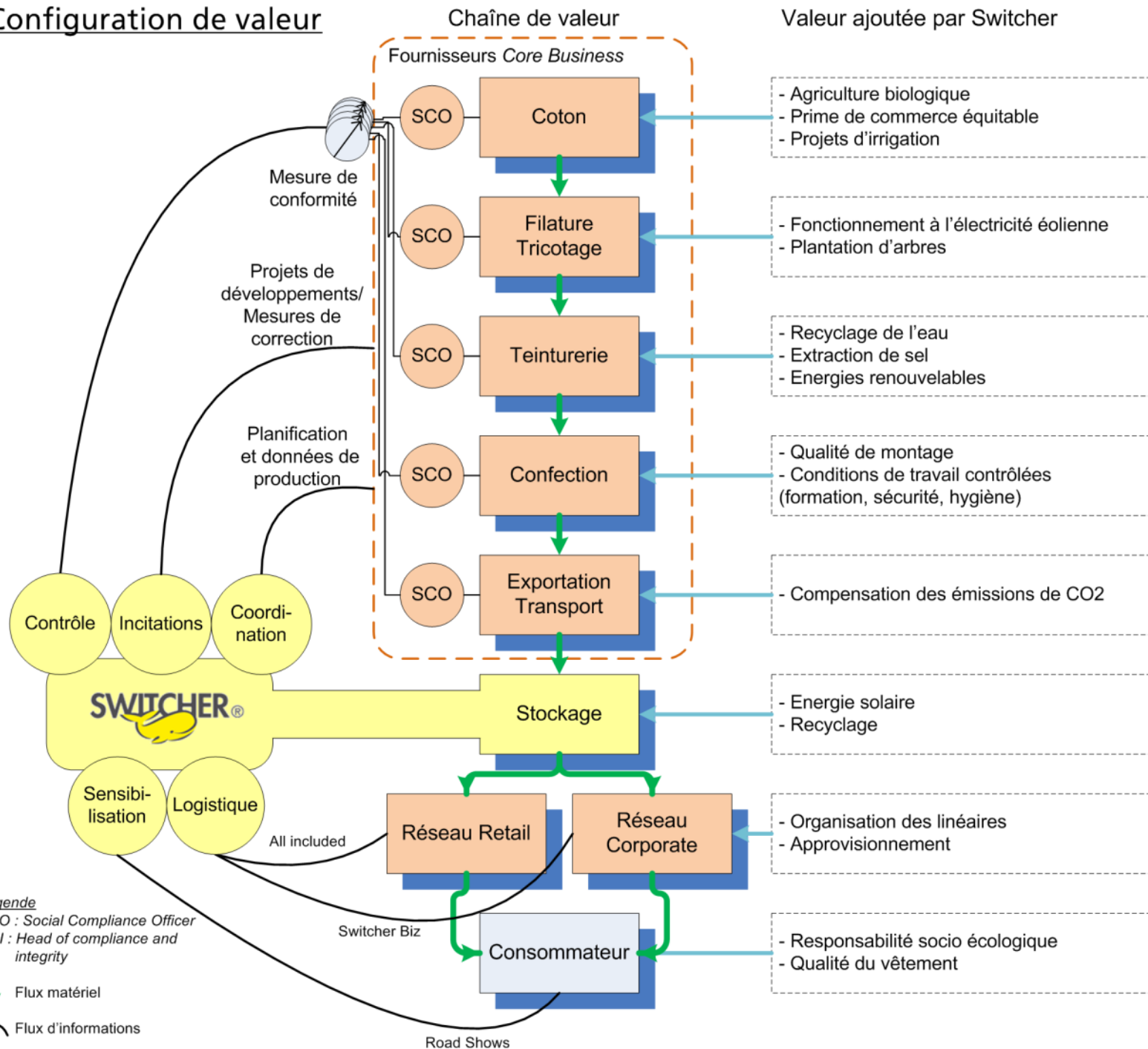
Outsourcing [Some issues]

- Cultural
- Coordination
- Quality
- Externalities (work conditions, environment)
- Partnership over time (trust, quality, price)

How does Switcher address these issues?



Switcher SA – Configuration de valeur



Outsourcing [Cultural]

- Social Compliance Officer is a local, trained by Switcher

Outsourcing [Coordination]

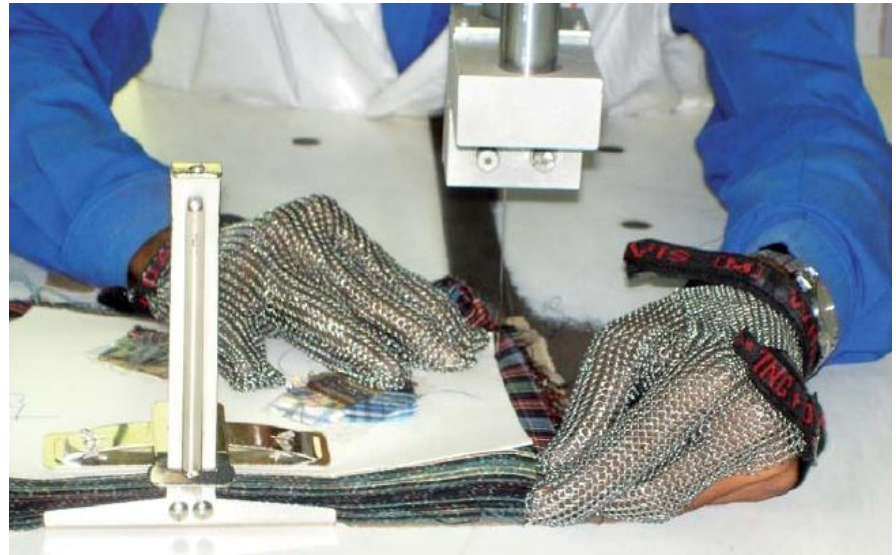
- Corporate Social Responsibility coordinated through dedicated web platform (respect inside compliance website)
- Production scheduled over a long period and organised in stable volume orders

Outsourcing [Quality]

- Products
 - Switcher Color System guarantees accurate and constant shades
 - External certificates and norms

Outsourcing [Externalities]

- Work conditions
 - Education programs (security, health,
 - Manager training
 - Human capital as a valuable resource



Outsourcing [Externalities]

- Environmental consequences
 - Waste retreatment
- Social effects
 - Education programs

Outsourcing [Partnership]

- Respect of orders, contracts, deadlines
 - Fair purchase price
 - Long term production planning
 - Engaged relationship with suppliers



Conclusion

Unethical [Partnerships]



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Ethical concerns [indian perspective]

| Unethical partnerships | Ethical partnerships |
|---|--|
| The cost of maintaining the project and the relationship will be high | Reduced costs |
| Vigilant monitoring of each and every activity will be required | Reduced risk |
| Lack of trust | Common focus |
| Strained relationship | Relationship equilibrium |
| Non disclosure of facts | Knowing the risks and managing them together |
| Lack of transparency | Proper management systems |

Source : http://www.indiawebdevelopers.com/ethics_outsourcing.asp

Conclusion [a 2 way Street]

Take/Ask

- Know-how
- Stability & Quality
- Conformity to standards
- Quality Control

Give

- Education
- Better work condition (wages, security)
- Development projects
- Knowledge..

Conclusion [Core Value]

- Outsourcing is part of the value proposition
- Product Meets niche market expectations



Questions ?

Sources

- Key figures on Europe 07/08 – Eurostat, European Commission
- Switcher Corporate Social Report 2006
- Respect-inside.org
- Penetration of Fair Trade in mainstream Distribution: Key Management Factors and Impact [Valéry Bezençon, UniNe]